

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

CITI TRENDS, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

52-2150697
(IRS employer identification number)

102 Fahm Street
Savannah, Georgia 31401
(912) 236-1561
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

R. Edward Anderson
Chief Executive Officer
Citi Trends, Inc.
102 Fahm Street
Savannah, Georgia 31401
(912) 236-1561
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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101 South Tryon Street
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Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering price Per Unit(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value \$.01 per share	3,300,000	\$ 41.97	\$ 138,501,000	\$ 4,252.00

- (1) Includes an indeterminate number of shares that may be issued in connection with an adjustment in the amount of shares of common stock as a result of any stock split, stock dividend, recapitalization or similar transaction.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low prices of the common stock as reported by the Nasdaq Global Select Market on March 29, 2007.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION—DATED APRIL 5, 2007

The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities or the solicitation of an offer to buy these securities in any state in which such offer, solicitation or sale is not permitted.

3,300,000 Shares

Citi Trends

Common Stock

This prospectus relates to the resale of 3,300,000 shares of our common stock that are beneficially owned by the selling stockholders. The selling stockholders may sell any, all or none of the shares of our common stock offered under this prospectus from time to time, in one or more transactions. The

shares of our common stock offered under this prospectus may be sold at fixed prices, prevailing market prices at the times of sale, prices related to the prevailing market prices, varying prices determined at the times of sale or negotiated prices. The shares of our common stock offered by this prospectus and any prospectus supplement may be offered by the selling stockholders directly to investors or to or through underwriters, dealers or other agents. If required, the names of any such agents, underwriters, brokers or dealers involved in the sale of the shares in respect of which this prospectus is being delivered and the applicable agent's commission, broker's or dealer's purchase price or underwriters' discount, if any, will be set forth in an accompanying supplement to this prospectus.

We are registering a portion of the shares of common stock offered under this prospectus as required by the terms of the registration rights agreement between certain of the selling stockholders and us, as described in the section entitled "Selling Stockholders." When the selling stockholders offer shares of our common stock, we will provide the specific terms of such offerings in supplements to this prospectus. As applicable, such prospectus supplements will identify the selling stockholders not already named herein, and state the number of shares to be sold by each. We will not receive any proceeds from the sale of shares of our common stock sold by the selling stockholders.

Our shares of common stock are listed for trading on the Nasdaq Global Select Market under the symbol "CTRN." On April 2, 2007, the last reported sale price of our common stock on the Nasdaq Global Select Market was \$43.21 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2007

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We have filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission, or the Commission, regarding the common stock offered by this prospectus. This prospectus, which forms part of the registration statement, does not contain all of the information included in the registration statement and the exhibits to the registration statement, because certain parts have been omitted in accordance with the rules and regulations of the Commission. Under this prospectus, selling stockholders may, from time to time, sell up to 3,300,000 shares of our common stock in one or more offerings. Each time the selling stockholders sell our common stock, we will provide a supplement to this prospectus that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Before purchasing our common stock, you should carefully read both this prospectus and any applicable prospectus supplement, together with the registration statement and the exhibits filed as part of the registration statement and the documents incorporated by reference into this prospectus.

Prospectus Summary

This summary highlights information contained in other parts of this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our common stock. You should carefully read the more detailed information contained or incorporated by reference in this prospectus, including the section entitled "Risk Factors" and our financial statements and related notes. Our fiscal year ends on the Saturday closest to January 31, and, except as otherwise provided, references in this prospectus to a fiscal year mean the 52- or 53-week period ended on the Saturday closest to January 31 of the succeeding year. Fiscal 2006, for example, refers to the 53-week period ended February 3, 2007.

Citi Trends, Inc.

We are a rapidly growing, value-priced retailer of urban fashion apparel and accessories for the entire family. We offer quality, branded merchandise for men, women and children, including products from nationally recognized brands, as well as private label products and a limited assortment of home décor items. Our merchandise offerings are designed to appeal to the preferences of fashion conscious consumers, particularly African-Americans. Through strong relationships with our suppliers, we believe that we are able to offer our products at compelling values. We seek to provide nationally recognized branded merchandise at 20% to 60% discounts to department and specialty stores' regular prices.

Our growth strategy is to open stores in new and existing markets as well as to increase sales in existing stores. Adding stores in the markets we currently serve enables us to benefit from enhanced name recognition and achieve advertising and operating synergies, and entering new markets opens additional growth opportunities. In fiscal 2005, we opened 36 new stores and in fiscal 2006, we opened 42 new stores. We expect to open 46 to 48 new stores in fiscal 2007. Approximately 90% of the new stores we intend to open in fiscal 2007 will be located in states in which we are currently located. We intend to increase comparable store sales primarily through merchandising enhancements and the expansion of product categories such as home décor and intimate apparel.

Recent Developments

On March 21, 2007, we reported earnings for the fourteen weeks ended February 3, 2007 and fiscal 2006. Fiscal 2006 included 53 weeks compared with 52 weeks for fiscal 2005, with the extra week falling in the fourth quarter of fiscal 2006, and fiscal 2006 results should be evaluated in that light. We reported

net sales according to the fiscal calendar. For example, 14 weeks versus 13 weeks in the fourth quarter and 53 weeks versus 52 weeks for the year. However, for comparable store sales, we reported on a comparable store comparable week basis. For example, the fourth quarter of 14 weeks ended February 3, 2007 compared to the 14 weeks ended February 4, 2006.

- Net sales for the fourteen weeks ended February 3, 2007 increased 30.9% to \$126.8 million compared with \$96.8 million for the thirteen weeks ended January 28, 2006. Comparable store sales for the fourteen weeks ended February 3, 2007, on a comparable weeks basis, increased 1.3% compared with a 22.8% increase in the thirteen weeks ended January 28, 2006. Relocated and expanded stores are included in the comparable store sales results. Net income for the fourteen weeks ended February 3, 2007 increased 30.9% to \$10.4 million compared with \$7.9 million for the thirteen weeks ended January 28, 2006. Earnings per diluted share for the fourteen weeks ended February 3, 2007 increased 32.7% to \$0.73 compared with \$0.55 in thirteen weeks ended January 28, 2006. The 53rd week of fiscal 2006 contributed approximately \$10.1 million of sales and approximately \$0.10 per share to the fourth quarter and year.
- Net sales for fiscal 2006 increased 31.8% to \$381.9 million compared with \$289.8 million for fiscal 2005. Comparable store sales, on a comparable weeks basis, increased 8.2% for fiscal 2006 compared with a 16.7% increase in fiscal 2005. Net income for fiscal 2006 increased 50.4% to \$21.4 million compared with \$14.2 million for fiscal 2005. Earnings per diluted share for fiscal 2006 increased 39.8% to \$1.51 compared with \$1.08 in fiscal 2005.

The preceding financial information is subject to final audit and our audited results for fiscal 2006 may vary from the preceding financial information. Factors that could cause our audited results to differ from the preceding information include possible accounting adjustments resulting from our year-end accounting and review procedures.

Selling Stockholders

In connection with our initial public offering, we entered into a registration rights agreement with Hampshire Equity Partners II, L.P. Under this agreement, we are required to file a registration statement covering the possible resale of the shares of our common stock held by Hampshire Equity Partners II, L.P. and its affiliates.

We have agreed to use our reasonable best efforts to cause this shelf registration statement to become effective and stay effective until the earlier of:

- the date when all securities subject to the registration rights agreement covered by this prospectus have been sold; or
- the date when all securities subject to the registration rights agreement held by Hampshire Equity Partners II, L.P. may be sold without any restriction pursuant to Rule 144(k) under the Securities Act of 1933, as amended, or the Securities Act.

In addition to Hampshire Equity Partners II, L.P. and its affiliates, other selling stockholders may, from time to time, sell shares pursuant to this prospectus.

We will not receive proceeds from any sale of the shares of our common stock offered under this prospectus. Hampshire Equity Partners II, L.P. and its affiliates and we have agreed to indemnify each other in certain circumstances against certain liabilities, including liabilities under the Securities Act.

Corporate Information

We are incorporated in Delaware and our principal executive offices are located at 102 Fahm Street, Savannah, Georgia 31401. Our telephone number is (912) 236-1561 and our website address is www.cititrends.com. Information contained in, or accessible through, our website does not constitute part of this prospectus.

Risk Factors

An investment in shares of our common stock involves a high degree of risk. You should consider carefully the following information about these risks, together with the other information contained or incorporated by reference in this prospectus, before you decide whether to buy our common stock. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition and results of operations.

Risks relating to our business

Our success depends on our ability to anticipate, identify and respond rapidly to changes in consumers' fashion tastes, and our failure to evaluate adequately fashion trends could have a material adverse effect on our business, financial condition and results of operations.

The apparel industry in general and our core customer market in particular are subject to rapidly evolving fashion trends and shifting consumer demands. Accordingly, our success is heavily dependent on our ability to anticipate, identify and capitalize on emerging fashion trends, including products, styles and materials that will appeal to our target consumers. Our failure to anticipate, identify or react appropriately and timely to changes in styles, trends, brand preferences or desired image preferences is likely to lead to lower demand for our merchandise, which could cause, among other things, sales declines, excess inventories and higher markdowns. The inaccuracy of our forecasts regarding fashion trends could have a material adverse effect on our business, financial condition and results of operations.

If we are unsuccessful in competing with our retail apparel competitors, our market share could decline or our growth could be impaired and, as a result, our financial results could suffer.

The retail apparel market is highly competitive with few barriers to entry. We compete against a diverse group of retailers, including national off-price apparel chains such as the TJX Companies, Inc., Burlington Coat Factory, and Ross Stores, Inc.; mass merchants such as Wal-Mart and Kmart; smaller discount retail chains that only sell women's products, such as Rainbow, Dots™, Fashion Cents™, It's Fashions! (a subsidiary of The Cato Corporation) and Simply Fashions™; and general merchandise discount stores and dollar stores, which offer a variety of products, including apparel, for the value-conscious consumer. We also compete against local off-price and specialty retail stores, regional retail chains, traditional department stores, and web-based retail stores and other direct retailers.

The level of competition we face from these retailers varies depending on the product segment, as many of our competitors do not offer apparel for the entire family. Our greatest competition is generally in women's apparel. Many of our competitors are larger than us and have substantially greater resources than us and, as a result, may be able to adapt better to changing market conditions, exploit new opportunities, exert greater pricing pressures on suppliers and open new stores more quickly and effectively than us. Many of these retailers have better name recognition among consumers than us and purchase significantly more merchandise from vendors. These retailers may be able to purchase branded merchandise that we cannot purchase because of their name recognition and relationships with suppliers, or they may be able to purchase branded merchandise with better pricing concessions than us. Our local and regional competitors have extensive knowledge of the consumer base and may be able to garner more loyalty from customers than us. If the consumer base we serve is satisfied with the selection, quality and price of our competitors' products, consumers may decide not to shop in our stores. Additionally, if our existing competitors or other retailers decide to focus more on our core customers, particularly African-American consumers, we may have greater difficulty in competing effectively, our business and results of operations could be adversely affected, and the market price of our common stock could suffer.

The retail industry periodically has experienced consolidation and other ownership changes. In the future, other United States or foreign retailers may consolidate, undergo restructurings or reorganizations, or realign their affiliations. Any of these developments could result in our competitors increasing their

buying power or market visibility. These developments may cause us to lose market share and could have a material adverse effect on our sales, revenues and results of operations.

We could experience a reduction in sales and revenues or reduced cash flows if we are unable to fulfill our current and future merchandising needs.

We depend on our suppliers for the continued availability and satisfactory quality of our merchandise. Most of our suppliers could discontinue selling to us at any time. Additionally, if the manufacturers or other owners of brands or trademarks terminate the license agreements under which some of our suppliers sell our products, we may be unable to obtain replacement merchandise of comparable fashion appeal or quality, in the same quantities or at the same prices. If we lose the services of one or more of our significant suppliers or one or more of them fail to meet our merchandising needs, we may be unable to obtain replacement merchandise in a timely manner. If our existing suppliers cannot meet our increased needs and we cannot locate alternative supply sources, we may be unable to obtain sufficient quantities of the most popular items of the nationally recognized brands at attractive prices, which could negatively impact our sales, revenues and results of operations.

As an apparel retailer, we rely on numerous third parties in the supply chain to produce and deliver the products that we sell, and our business may be negatively impacted by their failure to comply with applicable law.

As an importer and retailer of goods, we rely on numerous third parties to supply the products that we sell. Violations of law by our importers, buying agents, manufacturers or distributors could result in delays in shipments and receipt of goods and could subject us to fines or other penalties, any of which could restrict our business activities, increase our operating expenses or cause our revenues to decline. Further, we are susceptible to the receipt of counterfeit brands or unlicensed goods. We could incur liability with manufacturers or other owners of the brands or trademarked products if we inadvertently receive and sell counterfeit brands or unlicensed goods and, therefore, it is important that we establish relationships with reputable vendors to prevent the possibility that we inadvertently receive counterfeit brands or unlicensed goods. Although we have a quality assurance team to check merchandise in an effort to assure that we purchase only authentic brands and licensed goods and are careful in selecting our vendors, we may receive products that we are prohibited from selling or incur liability for selling counterfeit brands or unlicensed goods, which could increase our operating expenses and cause our net income to decline.

If our growth strategy is unsuccessful, our financial condition and results of operations could suffer and the market price of our common stock could decline.

Our ability to continue to increase our net sales and earnings depends, in large part, on opening new stores and operating the new and existing stores profitably. We opened 40, 36 and 42 new stores in fiscal 2004, fiscal 2005, and fiscal 2006, respectively. We expect to open 46 to 48 new stores in fiscal 2007. If we are unable to open all of these stores or operate them profitably, we may not achieve our forecasted sales and earnings growth targets. Additionally, growth of our store base will place increased demands on our operating, managerial and administrative resources and may lead to management and operating inefficiencies, including merchandising, personnel, distribution and integration problems. These demands and inefficiencies may cause deterioration in the financial performance of our individual stores and, therefore, our entire business.

We would experience increased operating costs and limited amounts of growth if we are unable to obtain reasonably priced financing.

Although we believe we can meet our future cash requirements with cash flow from operations and existing cash balances, we may need to raise additional debt or equity capital in the future to open new stores, to respond to competitive pressures or to respond to unforeseen financial requirements. We may

not be able to obtain additional capital on commercially reasonable terms or at all. Our inability to obtain reasonably priced financing could create increased operating costs and diminished levels of growth, as we could be forced to incur indebtedness with above market interest rates or with substantial restrictive covenants, issue equity securities that dilute the ownership interests of existing stockholders or scale back our operations and/or store growth strategy.

A significant disruption to our distribution process or southeastern retail locations could have a material adverse effect on our business, financial condition and results of operations.

Our ability to distribute our merchandise to our store locations in a timely manner is essential to the efficient and profitable operation of our business. We have two distribution centers located in Savannah, Georgia, one of which also serves as our corporate headquarters, and a distribution center in Darlington, South Carolina. Together, these facilities provide distribution capacity to support twice our current sales volume. Any natural disaster or other disruption to the operation of any of these facilities due to fire, hurricane, other natural disaster or any other cause could damage a significant portion of our inventory or impair our ability to stock our stores and process product returns to suppliers adequately.

In addition, the southeastern United States, where all three of our distribution centers are located, is vulnerable to significant damage or destruction from hurricanes and tropical storms. Although we maintain insurance on our stores and other facilities, the economic effects of a natural disaster that affects our distribution centers and/or a significant number of our stores could increase our operating expenses, impair our cash flows and reduce our revenues, which could negatively impact the market price of our common stock.

Our net sales, inventory levels and earnings fluctuate on a seasonal basis, which makes our business more susceptible to adverse events that occur during those seasons.

Our net sales and earnings are significantly higher during the first and fourth quarters each year due to the importance of the spring selling season, which includes Easter, and the fall selling season, which includes Christmas. Factors negatively affecting us during the first and fourth quarters, including adverse weather and unfavorable economic conditions, will have a greater adverse effect on our financial condition than if our business were less seasonal.

In order to prepare for the spring and fall selling seasons, we must order and keep in stock significantly more merchandise than during other parts of the year. This seasonality makes our business more susceptible to the risk that our inventory will not satisfy actual consumer demand. In addition, any unanticipated demand imbalances during these peak shopping seasons could require us to sell excess inventory at a substantial markdown or fail to satisfy our consumers. In either event, our net sales and gross margins may be lower than historical levels, which could have a material adverse effect on our business, financial condition and results of operations.

We experience fluctuations and variability in our comparable store sales and quarterly results of operations and, as a result, the market price of our common stock may fluctuate or decline substantially.

Our comparable store sales and quarterly results have fluctuated significantly in the past based on a number of economic, seasonal and competitive factors, and we expect them to continue to fluctuate in the future. Since the beginning of fiscal 2003, our quarter-to-quarter comparable store sales have ranged from an increase of 0.3% to an increase of 25.0%. The most significant fluctuations were due to the unusually high sales following Hurricanes Katrina, Rita and Wilma. The positive post-hurricane impact on sales has decreased over time. In addition, we may be unable to maintain historical levels of comparable store sales as we execute our growth strategy and expand our business. This variability could cause our comparable store sales and quarterly results to fall below the expectations of securities analysts or investors, which could result in volatility of the market price of our common stock. If our comparable store sales and

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quarterly results fail to meet the expectations of the market generally, the market price of our common stock could decline substantially.

Our sales and revenues could decline as a result of general economic and other factors outside of our control, such as changes in consumer spending patterns and declines in employment levels.

Downturns, or the expectation of a downturn, in general economic conditions could adversely affect consumer spending patterns, our sales and our results of operations. Because apparel generally is a discretionary purchase, declines in consumer spending patterns may have a more negative effect on apparel retailers than some other retailers. Therefore, we may not be able to maintain our historical rate of growth in revenues and earnings, or remain as profitable, if there is a decline in consumer spending patterns. In addition, since the majority of our stores are located in the southeastern United States, our operations are more susceptible to regional factors than the operations of our more geographically diversified competitors. Therefore, any adverse economic conditions that have a disproportionate effect on the southeastern United States could have a greater negative effect on our sales, revenues and results of operations than on retailers with a more geographically diversified store base.

If we fail to protect our trademarks, there could be a negative effect on our brand image and limitations on our ability to penetrate new markets.

We believe that our “Citi Trends” trademark is integral to our store design and our success in building consumer loyalty to our brand. We have registered this trademark with the U.S. Patent and Trademark Office. We have also registered, or applied for registration of, additional trademarks with the U.S. Patent and Trademark Office that we believe are important to our business. We cannot assure you that these registrations will prevent imitation of our name, merchandising concept, store design or private label merchandise or the infringement of our other intellectual property rights by others. Imitation of our name, concept, store design or merchandise in a manner that projects lesser quality or carries a negative connotation of our brand image could have a material adverse effect on our business, financial condition and results of operations.

In addition, we cannot assure you that others will not try to block the manufacture or sale of our private label merchandise by claiming that our merchandise violates their trademarks or other proprietary rights since other entities may have rights to trademarks that contain the word “Citi” or may have rights in similar or competing marks for apparel and/or accessories. Although we cannot currently estimate the likelihood of success of any such lawsuit or ultimate resolution of such a conflict, such a controversy could have a material adverse effect on our business, financial condition and results of operations.

If we fail to implement and maintain effective internal controls in our business, there could be a material adverse effect on our business, financial condition, results of operations and stock price.

Section 404 of the Sarbanes Oxley Act of 2002 requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. If we fail to maintain the adequacy of our internal controls, we may be unable to conclude on an ongoing basis that we have effective internal controls over financial reporting. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important in our effort to prevent financial fraud. If we cannot produce reliable financial reports or prevent fraud, our business, financial condition and results of operations could be harmed, investors could lose confidence in our reported financial information, the market price of our stock could decline significantly and we may be unable to obtain additional financing to operate and expand our business.

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Adverse trade restrictions may disrupt our supply of merchandise. We also face various risks because much of our merchandise is imported from abroad.

We purchase the products we sell directly from over 1,000 vendors, and a substantial portion of this merchandise is manufactured outside of the United States and imported by our vendors from countries such as China and other areas of the Far East, including Taiwan and the Philippines. The countries in which our merchandise currently is manufactured or may be manufactured in the future could become subject to new trade restrictions imposed by the United States or other foreign governments. Trade restrictions, including increased tariffs or quotas, embargoes, and customs restrictions, against apparel items, as well as United States or foreign labor strikes, work stoppages or boycotts, could increase the cost or reduce the supply of apparel available to us and have a material adverse effect on our business, financial condition and results of operations. In addition, our merchandise supply could be impacted if our vendors’

imports become subject to existing or future duties and quotas, or if our vendors face increased competition from other companies for production facilities, import quota capacity and shipping capacity.

We also face a variety of other risks generally associated with relying on vendors that do business in foreign markets and import merchandise from abroad, such as:

- political instability or the threat of terrorism, in particular in countries where our vendors source merchandise such as Taiwan and the Philippines;
- enhanced security measures at United States and foreign ports, which could delay delivery of imports;
- imposition of new or supplemental duties, taxes, and other charges on imports;
- delayed receipt or non-delivery of goods due to the failure of foreign-source suppliers to comply with applicable import regulations;
- delayed receipt or non-delivery of goods due to organized labor strikes or unexpected or significant port congestion at United States ports; and
- local business practice and political issues, including issues relating to compliance with domestic or international labor standards, which may result in adverse publicity.

The United States may impose new initiatives that adversely affect the trading status of countries where apparel is manufactured. These initiatives may include retaliatory duties or other trade sanctions that, if enacted, would increase the cost of products imported from countries where our vendors acquire merchandise. On March 30, 2007, the United States government announced that it would impose potentially significant tariffs on Chinese manufactured products. We have not yet determined the impact of such action on our imports from China, but will continue to monitor developments in that regard. Any of these factors could have a material adverse effect on our sales, revenues and results of operations.

The removal of import quotas on textiles and clothing in the future may adversely affect our merchandise supply, impact our sales and reduce our cash flows.

On January 1, 2005, in accordance with the World Trade Organization, or the WTO, Agreement on Textiles and Clothing, the import quotas on textiles and clothing manufactured by countries that are members of the WTO were eliminated. Subsequently, the United States and Europe experienced a surge of imported goods from China, a country that benefited from the removal of the quotas. In response, the United States initially implemented new quotas against various textile and apparel items from China and ultimately negotiated an agreement with the Chinese government. The agreement between the United States and China went into effect in November 2005 and will continue in effect through December 31, 2008. During that time, China has agreed to specified quota limits on most textile and apparel products, and the United States has agreed to use restraint in exercising its right to impose additional safeguards.

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Beginning in January 2009, the U.S.-China agreement and the quotas against Chinese apparel will expire. At that point, the United States would still have the ability to impose safeguards under the WTO Agreement on Textiles and Clothing although the requirements for doing so will be more stringent. The situation in 2009 potentially could be similar to the experience in 2005, with import surges and a cycle of safeguards and negotiations. This could create logistical delays in our ability to maintain required inventory levels and alter cost differentials between vendors that source domestically and vendors that source more extensively from overseas. We believe this could lower the cost of apparel products and thereby reduce the average dollar amount of sales per customer in our stores. Additionally, retaliatory trade actions could cause a disruption of the supply chain of products from foreign markets, difficulty in predicting accurately the prices of merchandise to be imported from a particular country and adverse effects on our merchandise supply, sales and cash flows.

We depend on the experience and expertise of our senior management team and key employees, and accordingly, the loss of the services of R. Edward Anderson or George A. Bellino could have a material adverse effect on our business strategy, operating costs, financial condition and results of operations.

The success of our business is dependent upon the close supervision of all aspects of our business by our senior management, particularly the operation of our stores, the selection of merchandise and the site selection for new stores. In addition, we do not have a non-competition agreement with R. Edward Anderson, our Chairman and Chief Executive Officer, and our non-competition agreement with George A. Bellino, our President and Chief Merchandising Officer, expired on December 31, 2006 and was not subsequently renewed. Accordingly, Messrs. Anderson and/or Bellino could leave us at any time to begin to work for our competitors or otherwise, which loss of services could have a material adverse effect on our business strategy, operating costs, financial condition and results of operations.

Failure to attract, train, assimilate and retain skilled personnel could have a material adverse effect on our growth strategy and our financial condition.

Like most retailers, we experience significant employee turnover rates, particularly among store sales associates and managers, and our continued growth will require us to hire and train even more new personnel. We therefore must continually attract, hire and train new personnel to meet our staffing needs. We constantly compete for qualified personnel with companies in our industry and in other industries. A significant increase in the turnover rate among our store sales associates and managers would increase our recruiting and training costs and could decrease our operating efficiency and productivity. If we are unable to retain our employees or attract, train, assimilate or retain other skilled personnel in the future, we may not be able to service our customers as effectively, thus reducing our ability to continue our growth and to operate our existing stores as profitably as we have in the past.

Increases in the minimum wage could have a material adverse effect on our business, financial condition and results of operations.

Currently, there is a proposed law being considered by the U.S. Congress to increase the minimum wage in the United States. The Fair Minimum Wage Act of 2007 was passed by the House of Representatives on January 10, 2007 and by the Senate in an amended form on February 1, 2007. If the Fair Minimum Wage Act of 2007 becomes law, it would raise the federal minimum wage to (i) \$5.85 per hour sixty days after the bill becomes law, (ii) \$6.55 per hour one year and sixty days after the bill becomes law and (iii) \$7.25 per hour two years and sixty days after the bill becomes law. Additionally, from time to time, legislative proposals are made to increase the minimum wage in certain individual states. Wage rates for many of our employees are at or slightly above the minimum wage. As federal and/or state minimum wage rates increase, we may need to increase not only the wage rates of our minimum wage employees but

the wages paid to our other hourly employees as well. Any increase in the cost of our labor could have a material adverse effect on our operating costs, financial condition and results of operations.

Any failure of our management information systems or the inability of third parties to continue to upgrade and maintain our systems could have a material adverse effect on our business, financial condition and results of operations.

We depend on the accuracy, reliability and proper functioning of our management information systems, including the systems used to track our sales and facilitate inventory management. We also rely on our management information systems for merchandise planning, replenishment and markdowns, as well as other key business functions. These functions enhance our ability to optimize sales while limiting markdowns and reducing inventory risk through properly marking down slow-selling styles, reordering existing styles and effectively distributing new inventory to our stores. We do not currently have redundant systems for all functions performed by our management information systems. Any interruption in these systems could impair our ability to manage our inventory effectively, which could have a material adverse effect on our business, financial condition and results of operations. To support our growth, we will need to expand our management information systems, and our failure to link and maintain these systems adequately could have a material adverse effect on our business, financial condition and results of operations.

We depend on third-party suppliers to maintain and periodically upgrade our management information systems, including the software programs supporting our inventory management functions. This software is licensed to us by third-party suppliers. If any of these suppliers is unable to continue to maintain and upgrade these software programs and/or if we are unable to convert to alternate systems in an efficient and timely manner, it could result in a material adverse effect on our business, financial condition and results of operations.

Our ability to attract consumers to our stores depends on the success of the strip shopping centers and downtown business districts where our stores are located.

We locate our stores in strip shopping centers, street front locations and downtown business districts where we believe our consumers and potential consumers shop. The success of an individual store can depend on favorable placement within a given strip shopping center or business district. We cannot control the development of alternative shopping destinations near our existing stores or the availability or cost of real estate within existing or new shopping destinations. If our store locations fail to attract sufficient consumer traffic or we are unable to locate replacement locations on terms acceptable to us, our business, financial condition and results of operations could suffer. If one or more of the anchor tenants located in the strip shopping centers or business districts where our stores are located close or leave, or if there is significant deterioration of the surrounding areas in which our stores are located, our business, financial condition and results of operations may be adversely affected.

Risks relating to our common stock and offerings pursuant to this prospectus.

Our stock price is volatile, and you may lose all or a part of your investment.

Our stock price is volatile. From our initial public offering in May 2005 through April 2, 2007, the trading price of our common stock has ranged from \$14.00 to \$57.85 per share. As a result of this volatility, investors may not be able to sell their common stock at or above their respective purchase prices. The market price for our common stock may be influenced by many factors, including:

- actual or anticipated fluctuations in our operating results;
- changes in securities analysts' recommendations or estimates of our financial performance;

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- publication of research reports by analysts;
 - changes in market valuations or operating performance of our competitors or companies similar to ours;
 - announcements by us, our competitors or other retailers;
 - additions and departures of key personnel;
 - changes in accounting principles;
 - the passage of legislation or other developments affecting us or our industry;
 - the trading volume of our common stock in the public market;
 - changes in economic conditions;
 - financial market conditions;
 - natural disasters, terrorist acts, acts of war or periods of civil unrest; and
 - the realization of some or all of the risks described in this section entitled "Risk Factors."

In addition, the stock markets have experienced significant price and trading volume fluctuations from time to time, and the market prices of the equity securities of retailers have been extremely volatile and have recently experienced sharp price and trading volume changes. These broad market fluctuations may adversely affect the market price of our common stock.

There may be sales of substantial amounts of our common stock pursuant to this prospectus, or otherwise, which could cause our stock price to fall.

Our current stockholders hold a substantial number of shares that they will be able to sell in the public market in the near future. As of April 2, 2007, 13,866,191 shares of our common stock were outstanding. As of April 2, 2007, 814,929 additional shares of our common stock were subject to outstanding stock options. All of the shares issued and sold in our initial public offering and our secondary offering, are freely tradable under the securities laws, except for any shares acquired by our "affiliates," as that term is defined in Rule 144 promulgated under the Securities Act, which generally includes officers, directors and holders of 10% or more of our common stock. 3,259,023 shares of our common stock, in addition to the shares included in this prospectus, held by existing stockholders are restricted or control shares and may be sold in the public market only if they are registered or if they qualify for an exemption

from registration under Rules 144 promulgated under the Securities Act or otherwise. Future sales of a substantial number of shares of our common stock could cause our stock price to fall and/or impair our ability to raise capital through the sale of additional stock.

A significant amount of our common stock is concentrated in the hands of one of our existing stockholders whose interests may not coincide with yours.

As of April 2, 2007, Hampshire Equity Partners II, L.P. and certain of its affiliates, which we refer to collectively as Hampshire Equity Partners, owned approximately 45.7% of our common stock. Although Hampshire Equity Partners are selling stockholders and may sell a portion of their holdings pursuant to this prospectus, Hampshire Equity Partners will continue to hold a significant amount of our common stock, approximately 24.0%, assuming that Hampshire Equity Partners sells all of their shares covered by this prospectus and do not acquire additional shares of our common stock. As a result, Hampshire Equity Partners have an ability to exercise significant influence over matters requiring stockholder approval. These matters include the election of directors and the approval of significant corporate transactions, including potential mergers, consolidations or sales of all or substantially all of our assets. Your interests as

a holder of our common stock may differ from the interests of Hampshire Equity Partners. In connection with our initial public offering, we entered into a nominating agreement with Hampshire Equity Partners II, L.P. pursuant to which we, acting through our nominating and corporate governance committee, agreed, subject to the requirements of our directors' fiduciary duties, that (i) Hampshire Equity Partners II, L.P. is entitled to designate two directors to be nominated for election to our board of directors as long as Hampshire Equity Partners II, L.P. (together with any of its respective successors and permitted assigns) owns in the aggregate at least 40% of the shares of our common stock which it owned immediately prior to the consummation of our initial public offering or (ii) Hampshire Equity Partners II, L.P. is entitled to designate one director to be nominated for election to our board of directors as long as Hampshire Equity Partners II, L.P. (together with any of its respective successors and permitted assigns) owns in the aggregate less than 40% and at least 15% of the shares of our common stock which it owned immediately prior to the consummation of our initial public offering. If at any time Hampshire Equity Partners II, L.P. (together with any of its respective successors and permitted assigns) owns less than 15% of the shares of our common stock which it owned immediately prior to the consummation of our initial public offering, it will not have the right to nominate any directors for election to our board of directors. Notwithstanding the foregoing, as of the date of this prospectus, Hampshire Equity Partners II, L.P. does not have a designee on our board of directors.

Securities analysts may not continue to cover our common stock or they may issue negative reports, and this may have a negative impact on the price of our common stock.

The trading market for our common stock relies, in part, on the research and reports that industry or financial analysts publish about our company or our industry. Public statements by these securities analysts may affect our stock price. If any of the analysts who cover us downgrades the rating of our common stock, our common stock price would likely decline. If any of these analysts ceases coverage of our common stock, we could lose visibility in the market, which in turn could cause our common stock price to decline. Further, if no analysts continue to cover our common stock, the lack of research coverage may depress the market price of our common stock.

In addition, rules mandated by the Sarbanes-Oxley Act of 2002 and a global settlement between the Commission and securities analysts have caused a number of fundamental changes in how securities analysts are reviewed and compensated. In particular, many investment banking firms are now required to contract with independent financial analysts for their stock research. In this environment, it may be difficult for companies with smaller market capitalizations, such as our company, to attract independent financial analysts to cover them, which could have a negative effect on the market price of our common stock.

We do not currently intend to pay dividends on our common stock.

We have never declared or paid any cash dividends on our common stock and do not currently intend to do so for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Furthermore, restrictions contained in our loan documents prohibit us from paying dividends on our common stock in the future. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future.

Provisions in our certificate of incorporation and by-laws and Delaware law may delay or prevent our acquisition by a third party.

Our second amended and restated certificate of incorporation, as amended, and our amended and restated by-laws contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our board of directors. These provisions include, among other things, a classified board of directors, advance notice for raising business or making nominations at stockholder

meetings and "blank check" preferred stock. Blank check preferred stock enables our board of directors, without stockholder approval, to designate and issue additional series of preferred stock with such dividend, liquidation, conversion, voting or other rights, including convertible securities with no limitations on conversion, as our board of directors may determine, including rights to dividends and proceeds in a liquidation that are senior to the common stock.

We are also subject to several provisions of the Delaware General Corporation Law that could delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock or may otherwise be in the best interests of our stockholders.

Our costs have increased and may continue to increase as a result of being a public company, and complying with regulations applicable to public companies may adversely affect our business.

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Commission and the Nasdaq Stock Market, have required changes in recent years in the corporate governance practices of public companies. We expect these rules and regulations to continue to increase significantly our legal and financial compliance costs and to make some activities more time-consuming and costly. For example, in connection with becoming a public company, we created additional board committees and adopted policies regarding internal controls and disclosure controls and procedures. In addition, we must comply with Section 404 of the Sarbanes-Oxley Act of 2002 and, pursuant to this section, we are required to include management and

auditor reports on internal controls over financial reporting as part of our annual reports for fiscal 2006 and subsequent years. We have and will continue to incur additional costs in, and dedicate significant resources toward, complying with these requirements, which may divert management's attention from, and which may in turn adversely affect, our business. We also expect these laws, rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We continue to evaluate and monitor developments with respect to these laws, rules and regulations, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. The costs of compliance or our failure to comply with these laws, rules and regulations could adversely affect our financial condition, results of operation and the price of our common stock.

Special Note Regarding Forward-Looking Statements

Some statements in, or incorporated by reference into, this prospectus may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, the Exchange Act. All statements other than historical facts contained in this prospectus, including statements regarding our future financial position, business policy and plans and objectives and expectations of management for future operations, are forward-looking statements. The words "believe," "may," "could," "estimate," "continue," "anticipate," "intend," "expect," "plan," "project" and similar expressions, as they relate to us, are intended to identify forward-looking statements. For example, our statements to the effect that we intend to open a specified number of new stores in fiscal 2007 constitute forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events, including, among other things:

- implementation of our growth strategy;
- our ability to anticipate and respond to fashion trends;
- competition in our markets;
- consumer spending patterns;
- actions of our competitors or anchor tenants in the strip shopping centers where our stores are located; and
- anticipated fluctuations in our operating results.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the section entitled "Risk Factors" and elsewhere in this prospectus.

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. These forward-looking statements speak only as of the date of such statements. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Commission, we do not plan to publicly update or revise any forward-looking statements contained herein after we distribute this prospectus, whether as a result of any new information, future events or otherwise.

Use of Proceeds

We will not receive proceeds from any sale by any selling stockholder of shares of our common stock offered under this prospectus.

Selling Stockholders

We are registering 3,300,000 shares of our common stock for resale by the selling stockholders. The common stock offered pursuant to this prospectus was issued to Hampshire Equity Partners II, L.P. and the other selling stockholders by us and each of the selling stockholders may resell all, some or none of the shares of our common stock covered by this prospectus as provided under the section of this prospectus entitled "Plan of Distribution" and in any applicable prospectus supplement. The shares of our common stock covered by this prospectus are being registered to permit public secondary trading of such shares, and the selling stockholders may offer such shares for resale from time to time or not at all.

The table below, which was prepared based on information supplied to us by Hampshire Equity Partners, sets forth information regarding beneficial ownership of our common stock by Hampshire Equity Partners as of April 2, 2007. Please carefully read the footnotes located below the table in conjunction with the information presented in the table.

The number of shares disclosed in the table below as "beneficially owned" are those beneficially owned as determined under the rules of the Commission. Such information is not necessarily indicative of ownership for any other purpose. Under the rules of the Commission, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days.

Selling Stockholder	Number of Shares Beneficially Owned Prior to Offering	Number of Shares Offered for Sale under this Prospectus(1)	Number of Shares Beneficially Owned After Offering(2)	Percentage of Shares Beneficially Owned After Offering(2)
Hampshire Equity Partners (as defined)(3) 520 Madison Avenue New York, NY 10022	6,330,785	3,000,000	3,330,785	24.0%

(1) Represents the total number of the shares of our common stock that the respective selling stockholders may offer under this prospectus.

- (2) We do not know when or in what amounts the selling stockholders may offer for sale the shares covered by this prospectus. The selling stockholders may sell the shares covered by this prospectus from time to time, and may also decide not to sell all, or any, of the shares covered by this prospectus. Because the selling stockholders may offer all, some or none of the shares covered by this prospectus, we cannot estimate the number of shares of our common stock that the selling stockholders will actually own after any sale of shares pursuant to this prospectus. For purposes of this table, however, we have assumed that the selling stockholders will have sold all of their respective shares covered by this prospectus and that no additional shares of our common stock are acquired by the selling stockholders. The percentage of shares beneficially owned after this offering is based on 13,866,191 shares of our common stock outstanding as of April 2, 2007.
- (3) Hampshire Equity Partners refers to Hampshire Equity Partners II, L.P., Hampshire Equity Partners Cayman D.B. II, L.P. and Hampshire Equity Partners Cayman II, L.P. Hampshire Equity Partners II, L.P. currently owns 5,419,212 shares of our common stock, and is offering to sell 2,568,029 shares of our common stock pursuant to this prospectus. Hampshire Equity Partners Cayman D.B. II, L.P. currently owns 893,699 shares of our common stock and is offering to sell 423,502 shares of our common stock pursuant to this prospectus. Hampshire Equity Partners Cayman II, L.P. currently owns 17,874 shares of our common stock and is offering to sell 8,470 shares of our common stock pursuant to this prospectus. Lexington Equity Partners II, L.P. is the general partner of Hampshire Equity Partners II, L.P. Lexington Equity Partners Cayman II, L.P. is the general partner of each of Hampshire Equity Partners Cayman D.B. II, L.P. and Hampshire Equity Partners Cayman II, L.P. The general partner of each of Lexington Equity Partners II, L.P. and Lexington Equity Partners Cayman II, L.P. is Lexington Equity Partners II, Inc., which has ultimate voting and investment control over the shares of our common stock held by Hampshire Equity Partners. Ms. Tracey Rudd, an employee of an affiliate of Hampshire Equity Partners, is the President of Lexington Equity Partners II, Inc. and Mr. Gregory P. Flynn, formerly one of our directors, is the Vice President of Lexington Equity Partners II, Inc.

In addition to Hampshire Equity Partners, other selling stockholders who are not parties to the registration rights agreement may, from time to time, sell in the aggregate up to 300,000 shares of our common stock pursuant to this prospectus. Information about such other potential selling stockholders who offer securities under this prospectus will be set forth in prospectus supplements, post-effective amendments to the registration statement of which this prospectus is a part and/or filings we make with the Commission under the Exchange Act that are incorporated herein by reference. Each prospectus supplement, post-effective amendment and/or filing under the Exchange Act will identify such other selling stockholders and include the following additional information:

- the number of shares of our common stock then held by the selling stockholders;
- the number of shares of our common stock then being offered by the selling stockholders;
- the number of shares (and, if one percent or more, the percentage) of our common stock owned by the selling stockholders after completion of the offering; and
- any material relationship between us and the selling stockholders during the past three years.

All of our shares of common stock that may be sold by such other selling stockholders (or securities convertible into such shares) were issued and outstanding prior to the filing of the registration statement of which this prospectus is a part. More specifically, all such shares (or securities convertible into such shares) were issued in one of the following transactions:

- in private placements to certain officers and directors in April 1999, December 1999 and January 2002;
- upon the exercise of options previously granted to certain officers and directors at various times prior to our initial public offering; and
- the grant of unexercised stock options to certain officers and directors at various times prior to our initial public offering.

Certain Relationships with Hampshire Equity Partners

Management Consulting Agreement

We were party to an Amended and Restated Management Consulting Agreement effective as of February 1, 2004, with Hampshire Management Company LLC, an affiliate of Hampshire Equity Partners II, L.P., pursuant to which it provided us with certain consulting services related to, but not limited to, our financial affairs, relationships with our lenders, stockholders and other third-party associates or affiliates, and the expansion of our business. In connection with our initial public offering in May 2005, the parties terminated the consulting agreement and we paid Hampshire Management Company LLC a one time termination fee of \$1.2 million in the second quarter of fiscal 2005.

Stockholders Agreement

Prior to our initial public offering, Hampshire Equity Partners II, L.P., George Bellino and certain other management stockholders were party to a Stockholders Agreement dated as of April 13, 1999. The stockholders agreement provided, among other things, that four members of our Board of Directors were to be designated by Hampshire Equity Partners and its affiliates, the stockholders agreed generally not to transfer their shares and the management stockholders were granted tag-along rights in the event of a sale of 51% or more of our stock. We agreed to register shares of our common stock held by the stockholders under certain circumstances. In connection with our initial public offering in May 2005, we terminated the stockholders agreement in its entirety.

Registration Rights Agreement

In connection with our initial public offering, we entered into a Registration Rights Agreement dated as of May 23, 2005, with Hampshire Equity Partners II, L.P. Pursuant to the terms and provisions of the registration rights agreement, Hampshire Equity Partners II, L.P. has the right, from time to time, subject to certain restrictions, to cause us to register shares of our common stock held by Hampshire Equity Partners II, L.P. for sale under the Securities Act on Form S-1 or, if available, on Form S-3 or any similar short-form registration statement. In addition, if at any time we register additional shares of common stock, Hampshire Equity Partners II, L.P. will be entitled to include its shares of our common stock in the registration statement relating to that offering. The registration rights agreement includes provisions for, among other things, underwritten offerings of shares of our common stock held by Hampshire Equity Partners pursuant to an underwriting agreement. We have filed the shelf registration statement of which this prospectus is a part pursuant to the registration rights agreement.

Nominating Agreement

In connection with our initial public offering, we entered into a Nominating Agreement dated as of May 23, 2005, with Hampshire Equity Partners II, L.P. pursuant to which we, acting through our Nominating and Corporate Governance Committee, agreed, subject to the requirements of our directors' fiduciary duties, that (i) Hampshire Equity Partners II, L.P. is entitled to designate up to two directors to be nominated for election to our board of directors as long as Hampshire Equity Partners II, L.P. (together with any of its respective successors and permitted assigns) owns in the aggregate at least 40% of the shares of the common stock which it owned immediately prior to the consummation of our initial public offering or (ii) Hampshire Equity Partners II, L.P. is

entitled to designate one director to be nominated for election to the board of directors as long as Hampshire Equity Partners II, L.P. (together with any of its respective successors and permitted assigns) owns in the aggregate less than 40% and at least 15% of the shares of our common stock which it owned immediately prior to the consummation of the initial public offering. If at any time Hampshire Equity Partners II, L.P. (together with any of its respective successors and permitted assigns) owns less than 15%, it will not have the right to nominate any directors for election to our board of directors. Notwithstanding the foregoing, as of the date of this prospectus, Hampshire Equity Partners II, L.P. does not have a designee on our board of directors.

Plan of Distribution

We are registering the shares of our common stock covered by this prospectus on behalf of the selling stockholders. As used in this section of the prospectus, the term “selling stockholders” includes Hampshire Equity Partners and other potential selling stockholders as described in the section of this prospectus entitled “Selling Stockholders” and any other transferees (including pledgees and donees) of the shares, but only where the transfer is not made pursuant to an effective registration statement or Rule 144 under the Securities Act or pursuant to another exemption from registration under the Securities Act pursuant to which the shares sold are thereafter freely transferable without registration and without restriction under the Securities Act, and only to such a transferee, and provided that the selling stockholder complies with all applicable law with respect to the transfer of shares to such transferee and gives us prompt notice of the transfer.

All costs, expenses and fees in connection with the registration of the shares of our common stock covered by this prospectus will be borne by us. Underwriting discounts, brokerage commissions and similar selling expenses, if any, attributable to the sale of such shares will be borne by the selling stockholders.

Each of the selling stockholders may sell their shares of our common stock covered by this prospectus from time to time and may also decide not to sell all or any of such shares. The selling stockholders will act independently of us in making decisions as to the timing, manner and size of each sale. The sales may be made on the Nasdaq Global Select Market or any other national securities exchange or any quotation system on which our common stock may be listed or quoted at the time of sale, in the over-the-counter market or other than in such organized and unorganized trading markets, in one or more transactions, at:

- fixed prices, which may be changed;
- prevailing market prices at the time of sale;
- varying prices determined at the time of sale; or
- negotiated prices.

The shares of our common stock covered by this prospectus may be sold by one or more of the following methods in addition to any other method permitted under this prospectus:

- a block trade in which the broker-dealer so engaged may attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- a purchase by a broker-dealer as principal and resale by such broker-dealer for its own account;
- an ordinary brokerage transaction or a transaction in which the broker solicits purchasers;
- a privately negotiated transaction;
- an underwritten offering;
- securities exchange or quotation system sale that complies with the rules of the exchange or quotation system;
- through short sale transactions following which the shares are delivered to close out the short position;
- through the writing of options relating to the shares;
- any other method pursuant to applicable law; or
- through a combination of the above methods of sale.

The selling stockholders may effect such transactions by selling the shares covered by this prospectus directly to purchasers, to or through broker-dealers, which may act as agents for the seller and buyer or principals, or to underwriters who acquire such shares for their own account and resell them in one or more transactions. Such broker-dealers or underwriters may receive compensation in the form of discounts, concessions or commissions from the selling stockholders and/or the purchasers of the shares for whom such broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions) and such discounts, concessions, or commissions may be allowed or re-allowed or paid to dealers.

We have been advised by Hampshire Equity Partners that they have not, as of the date of this prospectus, entered into any agreements, understandings or arrangements with underwriters or broker-dealers regarding the sale of their shares covered by this prospectus and we have been advised that there is not an underwriter or broker-dealer acting as of the date of this prospectus in connection with the proposed sale of such shares by the selling stockholders.

The selling stockholders and any broker-dealers that participate with the selling stockholders in the sale of the shares covered by this prospectus may be deemed to be “underwriters” within the meaning of Section 2(a)(11) of the Securities Act and any commissions received by such broker-dealers and any profit on the resale of such shares sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act.

The selling stockholders and any broker-dealer that may be deemed to be “underwriters” within the meaning of Section 2(a)(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. We will make copies of this prospectus available to the selling stockholders and

have informed them of their obligation to deliver copies of this prospectus to purchasers at or before the time of any sale of shares covered by this prospectus. Such requirement may be satisfied by delivery through the facilities of the Nasdaq Stock Market pursuant to Rule 153 under the Securities Act.

The selling stockholders may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. In connection with those derivatives, the third parties may sell the shares covered by this prospectus, including in short sale transactions. If so, the third party may use the shares pledged by the selling stockholders or borrowed from the selling stockholders or others to settle those sales or to close out any related open borrowings of our common stock, and may use the shares received from the selling stockholders in settlement of those derivatives to close out any related open borrowings of our common stock. We will file a supplement to this prospectus to describe any derivative transaction effected by the selling stockholders and to identify the third party in such transactions as an "underwriter" within the meaning of Section 2(a)(11) of the Securities Act.

The selling stockholders will be subject to applicable provisions of Regulation M of the Exchange Act, which provisions may limit the timing of purchases and sales of any of the shares by the selling stockholders. These restrictions may affect the marketability of such shares.

In order to comply with applicable securities laws of some states, the shares covered by this prospectus may be sold in those jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the shares covered by this prospectus may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirements is available.

The selling stockholders also may resell all or a portion of the shares covered by this prospectus in open market transactions in reliance upon Rule 144 under the Securities Act or any other available exemption from required registration under the Securities Act, provided they meet the criteria and conform to the requirements of such exemption.

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We will file a supplement to this prospectus, if required, pursuant to Rule 424(b) under the Securities Act upon being notified by a selling stockholder that any material arrangements have been entered into with a broker-dealer for the sale of the shares covered by this prospectus through a block trade, special offering, exchange or secondary distribution or a purchase by a broker-dealer. Such supplement will disclose:

- the name of each such selling stockholder and of the participating broker-dealer(s);
- the number of shares of our common stock involved;
- the price at which such shares were sold;
- the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable;
- that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus; and
- other facts material to the transaction.

In addition, upon receiving notice from a selling stockholder that a donee, pledgee or transferee or other successor-in-interest intends to sell more than 500 of the shares covered by this prospectus, we will file a supplement to this prospectus pursuant to Rule 424(b) under the Securities Act to identify the non-sale transferee.

Pursuant to our registration rights agreement with Hampshire Equity Partners II, L.P., we have agreed to use our reasonable best efforts to cause the registration statement of which this prospectus is a part to become effective and to keep such registration statement effective until all the shares covered by this prospectus are sold by Hampshire Equity Partners or may be sold by Hampshire Equity Partners without any restriction under Rule 144(k) of the Securities Act.

The selling stockholders are not restricted as to the price or prices at which they may sell their shares covered by this prospectus. Sales of such shares may have an adverse effect on the market price of our common stock. Moreover, the selling stockholders are not restricted as to the number of shares that may be sold at any time, and it is possible that a significant number of the shares could be sold at the same time, which may have an adverse effect on the market price of our common stock.

Pursuant to our registration rights agreement with Hampshire Equity Partners II, L.P., we have agreed to indemnify and hold Hampshire Equity Partners harmless against certain liabilities under the Securities Act that could arise in connection with the sale by Hampshire Equity Partners of their shares covered by this prospectus. The selling stockholders may agree to indemnify any broker-dealer or agent that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act.

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Legal Matters

The validity of the common stock offered hereby will be passed upon for us by Alston & Bird LLP.

Experts

The financial statements of Citi Trends, Inc. as of January 28, 2006 and January 29, 2005 and for the years ended January 28, 2006 and January 29, 2005 and January 31, 2004 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, also incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The audit report refers to the adoption of Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" on July 6, 2003 and Financial Accounting Standards Board Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" as of January 28, 2006.

**Where You Can Find More Information and
Incorporation of Certain Information by Reference**

We file annual, quarterly and current reports, proxy statements and other information with the Commission. The Commission allows us to incorporate by reference the information we file with them, which means that we can disclose important business and financial information to you that is not included in or delivered with this prospectus by referring you to publicly filed documents that contain the omitted information.

You may read and copy the information that we incorporate by reference in this prospectus as well as other reports, proxy statements and other information that we file with the Commission at the Public Reference Room maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. In addition, we are required to file electronic versions of those materials with the Commission through the Commission's EDGAR system. The Commission maintains a web site at <http://www.sec.gov> that contains reports, proxy statements and other information that registrants, such as us, file electronically with the Commission.

The information incorporated by reference is an important part of this prospectus, and information we later file with the Commission will automatically update and supersede earlier information. We incorporate by reference the following documents filed with the Commission by us and any future filings we make with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of the offering of our common stock covered by this prospectus (except for information furnished to the Commission that is not deemed to be "filed" for purposes of the Exchange Act):

- Our Annual Report on Form 10-K for the fiscal year ended January 28, 2006;
- Our Quarterly Reports on Form 10-Q, as amended, for the fiscal quarter ended April 29, 2006, the fiscal quarter ended July 29, 2006, and the fiscal quarter ended October 28, 2006;
- Our Current Reports on Form 8-K filed May 1, 2006, May 23, 2006, June 22, 2006, August 18, 2006, November 13, 2006, November 16, 2006, March 30, 2007 and April 2, 2007; and
- The description of our common stock set forth in our Registration Statement on Form 8-A filed with the Commission on May 17, 2005, including any amendment or report filed for the purpose of updating such description.

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You may also request a copy of the information we incorporate by reference in this prospectus at no cost by writing or telephoning us at Citi Trends, 102 Fahm Street, Savannah, Georgia 31401, (912) 236-1561, Attention: Secretary.

Information about us is also available on our web site at www.cititrends.com. Information contained in, or accessible through, our website does not constitute part of this prospectus.

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3,300,000 Shares

Citi Trends

Common Stock

PROSPECTUS

You should rely only on information contained or incorporated by reference in this prospectus. No dealer, salesperson or other person is authorized to give different information. This prospectus is not an offer to sell nor is it seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. The information contained or incorporated by reference in this prospectus is correct only as of its respective date, regardless of the time of delivery of this prospectus or any sale of these securities.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses payable by the registrant in connection with the sale of the securities being registered. All amounts (except the Commission registration fee) are estimates.

Commission registration fee	\$ 4,252
Printing expenses	2,500
Legal fees and expenses	80,000
Accounting fees and expenses	35,000
Miscellaneous	5,000
Total	<u>\$ 126,752</u>

Item 15. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify any person, including an officer or director, who was or is, or is threatened to be made, a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, for criminal actions and proceedings, had no reasonable cause to believe that his or her conduct was unlawful. A Delaware corporation may indemnify a director, officer, employee or agent against expenses (including attorneys' fees) actually and reasonably incurred in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if such person is adjudged to be liable to the corporation. Where a director or officer is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such director or officer actually or reasonably incurred. The indemnification provided for by the statute is not exclusive of any other rights of indemnification.

As permitted by Section 102(b)(7) of the Delaware General Corporation Law, we have adopted provisions in our second amended and restated certificate of incorporation, as amended, and our amended and restated by-laws that limit or eliminate the personal liability of our directors for a breach of their fiduciary duty of care as a director. The duty of care generally requires that, when acting on behalf of the corporation, directors exercise an informed business judgment based on all material information reasonably available to them. Consequently, a director will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director except for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any act related to unlawful stock repurchases, redemptions or other distributions or payment of dividends; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not affect the availability of equitable remedies such as injunctive relief or rescission. Our second amended and restated certificate of incorporation, as amended, also authorizes us to indemnify our officers, directors and other agents to the fullest extent permitted under Delaware law.

As permitted by Section 145 of the Delaware General Corporation Law, our amended and restated by-laws provide that:

- we may indemnify our directors, officers and employees to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions;
- we may advance expenses to our directors, officers and employees in connection with a legal proceeding, subject to limited exceptions; and
- the rights provided in our amended and restated by-laws are not exclusive.

Our second amended and restated certificate of incorporation, as amended, and our amended and restated by-laws, provide for the indemnification provisions described above and elsewhere herein. In addition, we have purchased a policy of directors' and officers' liability insurance that insures our directors and officers against the cost of defense, settlement or payment of a judgment in some circumstances. These indemnification provisions may be sufficiently broad to permit, by their terms, indemnification of our officers and directors for liabilities, including reimbursement of expenses incurred, arising under the Securities Act of 1933, as amended.

Item 16. Exhibits

(a) *Exhibits.* The following exhibits are filed as part of this registration statement:

<u>Exhibit No.</u>	<u>Description</u>
4.1	Specimen certificate for shares of common stock, \$.01 par value (incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-123028) filed with the Commission on April 29, 2005)
4.2	Registration Rights Agreement dated as of May 15, 2005 between Citi Trends, Inc. and Hampshire Equity Partners II, L.P.
*5.1	Opinion of Alston & Bird LLP
23.1	Consent of KPMG LLP
*23.2	Consent of Alston & Bird LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included on signature page)

* To be filed by amendment.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information in this

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registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

Provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) do not apply if the registration statement is on Form S-3 or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

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(b) The undersigned registrant hereby further undertakes that, for the purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described under Item 15 of this registration statement, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in such Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in such Act and will be governed by the final adjudication of such issue.

(d) The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Savannah, State of Georgia, on the 5th of April, 2007.

CITI TRENDS, INC.

By: /s/ R. Edward Anderson
R. Edward Anderson
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Bruce D. Smith
Bruce D. Smith
Senior Vice President and Chief Financial
Officer (Principal Financial and Accounting Officer)

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints R. Edward Anderson and Christopher B. Bergen, and each acting alone, his or her true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments or supplements to this Registration Statement, whether pre-effective or post-effective, to sign any related registration statement pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing necessary or appropriate to be done with respect to this Registration Statement, any amendments or supplements hereto, and any related Rule 462(b) registration statement, in the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue thereof. This power of attorney may be signed in several counterparts.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ R. EDWARD ANDERSON</u> R. Edward Anderson	Chief Executive Officer (Principal Executive Officer)	April 5, 2007
<u>/s/ BRUCE D. SMITH</u> Bruce D. Smith	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 5, 2007

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<u>/s/ LAWRENCE E. HYATT</u> Lawrence E. Hyatt	Director	April 5, 2007
<u>/s/ JOHN S. LUPO</u> John S. Lupo	Director	April 5, 2007
<u>/s/ PATRICIA M. LUZIER</u> Patricia M. Luzier	Director	April 5, 2007
<u>/s/ TRACY L. NOLL</u> Tracy L. Noll	Director	April 5, 2007

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
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4.2	Registration Rights Agreement dated as of May 15, 2005 between Citi Trends, Inc. and Hampshire Equity Partners II, L.P.
*5.1	Opinion of Alston & Bird LLP
23.1	Consent of KPMG LLP
*23.2	Consent of Alston & Bird LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included on signature page)

* To be filed by amendment.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "*Agreement*") is made and entered into as of this 23 day of May, 2005, by and between Citi Trends, Inc., a Delaware corporation (the "*Company*") and Hampshire Equity Partners II, L.P., a Delaware limited partnership ("*Hampshire*").

WHEREAS, as set forth in this Agreement, the Company has agreed to grant to Hampshire certain registration rights with respect to the shares of the Company's common stock, par value \$0.01 per share (the "*Common Stock*"), owned by Hampshire as of the date hereof, as more fully set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and considerations herein set forth, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the following meanings:

"*Affiliate*" as applied to any Person, shall mean any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and, in addition to the foregoing, a Person shall be deemed to control another Person if the controlling Person owns 15% or more of any class of voting securities (or other ownership interest) of the controlled Person.

"*Agreement*" shall have the meaning set forth in the Preamble.

"*Business Day*" shall mean a day, other than a Saturday or Sunday, on which banks in New York City are open for the general transaction of business.

"*Common Stock*" shall have the meaning set forth in the Preamble.

"*Company*" shall have the meaning set forth in the Preamble.

"*Form S-1*" means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC used for the initial public offering of securities.

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"*Form S-3*" means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"*Hampshire*" shall have the meaning set forth in the Preamble and shall include any permitted transferee thereof who is a subsequent holder of the Registrable Securities pursuant to the terms hereof.

"*Holder*" shall mean any Person owning or having the right to acquire Registrable Securities, or any assignee thereof in accordance with the terms hereof. If the Company receives conflicting instructions, notices or elections from two or more Persons with respect to the same Registrable Securities, the Company may act upon the basis of the instructions, notice or election received from the registered owner of such Registrable Securities.

"*NASD*" shall mean the National Association of Securities Dealers.

"*1934 Act*" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, all as the same shall be in effect at the time.

"*Person*" shall mean any individual, partnership, corporation, joint venture, limited liability company, association, trust, unincorporated organization, or government or agency or political subdivision thereof or any other entity of whatever nature.

"*Prospectus*" shall mean the prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus.

"*Register*," "*registered*" and "*registration*" refer to a registration made by preparing and filing a Registration Statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such Registration Statement or document by the SEC.

"*Registrable Securities*" means (a) the shares of Common Stock held by Hampshire as of the date hereof; (b) any shares of Common Stock hereafter distributed by the Company as a result of a stock dividend, stock split, reclassification, recapitalization or otherwise by virtue of the ownership of shares of Common Stock; and (c) any other security issued as a dividend or other distribution with respect to, in exchange for, in replacement or redemption of, or in reduction of the liquidation value of, any of the securities referred to in the preceding clauses; provided, however, that any such securities shall cease to be Registrable Securities when (A) such securities shall have been registered under the Securities Act, the registration statement with respect to

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the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of pursuant to such effective registration statement; (B) such securities shall have been otherwise transferred, if new certificates or other evidences of ownership for them not bearing a legend restricting further transfer and not subject to any stop transfer order or other restrictions on transfer shall have been delivered by the Company and subsequent disposition of such securities shall not require registration or qualification of such securities under the Securities Act or any state securities law then in force; (C) such securities shall cease to be outstanding; (D) the holding period that would be applicable under Rule 144(k) of the Securities Act expires, such securities are freely tradable by Hampshire thereof under Rule 144(k) without regard to volume limitations or other restrictions and the Company shall have removed any restrictive legends and stop transfer restrictions with respect to such securities; or (E) such securities are sold to the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the Securities Act.

“*Registration Statement*” shall mean any registration statement of the Company filed under the Securities Act that covers the resale of any of the Registrable Securities pursuant to the provisions of this Agreement, amendments and supplements to such Registration Statement, including post-effective amendments, and all exhibits and all material incorporated by reference in such Registration Statement.

“*Rule 144*” means Rule 144 under the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

“*Rule 144A*” means Rule 144A under the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

“*SEC*” shall mean the U.S. Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act.

“*Securities Act*” shall mean the Securities Act of 1933 as amended, or any similar federal statute and the rules and regulations promulgated thereunder, all as the same shall be in effect at the time.

2. Registration.

(a) Piggy-Back Registrations. If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than Hampshire) any of its stock or other securities under the Securities Act in connection with the public offering of such securities solely for cash (other than a registration on Form S-8 (or similar or successor form) relating solely to the sale of securities to participants in a Company stock option, stock purchase or other stock-based compensation arrangement to the extent includable on Form S-8 (or similar or successor form), or a registration relating solely to a transaction under Rule

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145 of the Securities Act on Form S-4 (or similar or successor form) or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities or Common Stock comprising part of a unit or otherwise sold in connection with the issuance or sale of debt securities which are also being registered) (each such registration not withdrawn or abandoned prior to the effective date thereof being herein called a “*Piggy-back Registration*”), the Company shall, at such time, promptly give Hampshire written notice of such registration not later than forty-five (45) days prior to the anticipated filing date of such Piggy-back Registration. Upon the written request of Hampshire given within twenty (20) days after the delivery of such notice by the Company in accordance with Section 8(c), the Company shall, subject to the provisions of Section ____, use commercially reasonable efforts to cause to be registered under the Securities Act all of the Registrable Securities that Hampshire has requested to be registered. The Company shall have no obligation under this Section 2(a) to make any offering of its securities, or to complete an offering of its securities that it proposes to make. Hampshire shall be permitted to withdraw all or any part of its Registrable Securities from any Piggy-back Registration at any time prior to the effective date of such Piggy-back Registration.

(b) Demand Registration.

(i) Request by Hampshire. If, at any time following the initial public offering of securities of the Company, the Company receives a written request from Hampshire to file a Registration Statement under the Securities Act on Form S-1 or such other form as Hampshire may reasonably request covering the registration of Registrable Securities, then the Company shall, within ten (10) business days of the receipt of such written request, give written notice of such request (“*Request Notice*”) to Hampshire, and use commercially reasonable efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that Hampshire requests to be registered and included in such registration by written notice given by Hampshire to the Company within twenty (20) days after receipt of the Request Notice; provided, that Hampshire shall no longer have such right once its beneficial ownership of the Common Stock is less than 10% on a fully-diluted basis. If requested by Hampshire, the Company shall register such Registrable Securities on Form S-1 or any successor registration form.

(ii) Underwriting. If Hampshire intends to distribute the Registrable Securities covered by its request pursuant to Section 2(b) by means of an underwriting, then it shall so advise the Company as a part of its request, and the Company shall include such information in the written notice referred to in Section 2(b)(i). In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting by the Holders of a majority of the Registrable Securities being registered and reasonably acceptable to the Company (including a market stand-off agreement of up to ninety (90) days if required by such

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underwriters). Notwithstanding any other provision of this Section 2(b), if the underwriter(s) advise(s) the Company in writing that marketing factors require a limitation of the number of securities to be underwritten then the Company shall so advise all Holders of Registrable Securities that would otherwise be registered and underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated among the Holders of Registrable Securities on a pro rata basis according to the number of Registrable Securities then outstanding held by each Holder requesting registration; provided, however, that the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities of the Company and any selling securityholder other than the Holders are first entirely excluded from the underwriting and registration. Any Registrable Securities excluded and withdrawn from such underwriting shall be withdrawn from the registration.

(iii) Maximum Number of Demand Registrations. The Company shall not be obligated to effect in the case of a demand request in accordance with the provisions of Section 2(b), more than two (2) registrations, provided, however, that once the Company has satisfied the requirements to file a Form S-3 there shall be no limit on the number of demand requests made by Hampshire; provided, that Hampshire shall no longer have such right once its beneficial ownership of the Common Stock is less than 10% on a fully-diluted basis. In order to count as one of the demand registrations pursuant to Section 2(b), the Registration Statement in respect thereof must have not been withdrawn and all Registrable Securities which Hampshire requested to be registered pursuant to it must have been so included and sold pursuant to an effective Registration Statement.

(iv) Deferral. Notwithstanding the foregoing, if the Company shall furnish to Hampshire, a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors, it would be materially detrimental to the Company and its stockholders for such Registration Statement to be filed, then the Company shall have the right to defer such filing for a period of not more than sixty (60) days after receipt of the request of Hampshire; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period.

(v) Expenses. All expenses incurred in connection with any registration pursuant to this Section 2(b), including all federal and Blue Sky registration, filing and qualification fees, printer's and accounting fees, and fees and disbursements of counsel for the Company (but excluding underwriters' discounts and commissions relating to shares sold by Hampshire and any fees and disbursements of counsel to Hampshire), shall be borne by the Company. Hampshire shall bear its proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all discounts, commissions or other amounts payable to underwriters or brokers in connection with such offering by Hampshire. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding

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begun pursuant to this Section 2(b) if the registration request is subsequently withdrawn at the request of Hampshire, unless Hampshire agrees that such registration constitutes the use by Hampshire of one (1) demand registration pursuant to this Section 2(b); provided further, however, that if at the time of such withdrawal, Hampshire has learned of a material adverse change relating to the business or operations of the Company not known to Hampshire at the time of its request for such registration and has withdrawn its request for registration after learning of such material adverse change, then Hampshire shall not be required to pay any of such expenses and such registration shall not constitute the use of a demand registration pursuant to this Section 2(b).

(c) & #160; Failure to File Registration Statement and Other Events. The Company and Hampshire agree that Hampshire will suffer damages if the Registration Statement is not filed and maintained in the manner contemplated herein during the Effectiveness Period (as defined below). The Company and Hampshire further agree that it would not be feasible to ascertain the extent of such damages with precision. Accordingly, if (i) the Company fails to file with the SEC a request for acceleration in accordance with Rule 461 promulgated under the Securities Act within five (5) Business Days of the date that the Company is notified (orally or in writing, whichever is earlier) by the SEC that a Registration Statement will not be "reviewed," or not subject to further review, or (ii) the Registration Statement is filed with and declared effective by the SEC but thereafter ceases to be effective as to all Registrable Securities at any time prior to the expiration of the Effectiveness Period, without being succeeded immediately by a subsequent Registration Statement filed with the SEC, except as otherwise permitted by this Agreement (any such failure or breach being referred to as an "Event"), the Company will make payments to Hampshire in an amount equal to 1.0% of the aggregate amount invested by Hampshire for each twenty (20)-day period or pro rata for any portion thereof following the date on which the Event occurred. Such payments shall be in partial compensation to Hampshire and shall not constitute Hampshire's exclusive remedy for such Events. Such payments shall be made to Hampshire in cash. The amounts payable pursuant to this paragraph shall be payable in lawful money of the United States within two (2) Business Days of the last day of each such twenty (20)-day period during which the Registration Statement should have been filed for which no Registration Statement was filed with respect to the Registrable Securities.

Notwithstanding the foregoing, the Company shall remain obligated to cure the breach or correct the condition that caused such Event, and Hampshire shall have the right to take any action necessary or desirable to enforce such obligation.

(d) Expenses. All fees and expenses incident to the performance of or compliance with this Agreement by the Company shall be borne by the Company whether or not the Registration Statement is filed or becomes effective and whether or not any Registrable Securities are sold pursuant to the Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with each securities exchange, quotation system, market or over-the-counter bulletin board on which Registrable Securities are required

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hereunder to be listed, (B) with respect to filings required to be made with the SEC, and (C) in compliance with state securities or Blue Sky laws, (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities and of printing or photocopying Prospectuses), (iii) messenger, telephone and delivery expenses, (iv) Securities Act liability insurance, if the Company so desires such insurance and (v) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement, including, without limitation, the Company's independent public accountants (including, in the case of an underwritten offering, the expenses of any comfort letters or costs associated with the delivery by independent public accountants of a comfort letter or comfort letters) and legal counsel. In addition, each of Hampshire and the Company shall be responsible for all of their respective internal expenses incurred in connection with the consummation of the transactions contemplated

by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. Notwithstanding the preceding, the Company shall have no obligation to pay any underwriting discounts or selling commission attributable to the Registrable Securities being sold by Hampshire and any fees and disbursement of counsel to Hampshire, which such amounts shall be borne by Hampshire.

(e) Effectiveness.

(i) The Company shall use reasonable best efforts to have the Registration Statement declared effective not later than the earlier to occur of (y) sixty (60) days after the date of filing of such Registration Statement, or (z) five (5) Business Days following the Company's receipt of oral or written (whichever is first) notice from the SEC that the Registration Statement will not be "reviewed" or not be subject to further review; provided, however, if the Registration Statement is not declared effective within the time period set forth above, the Company shall continue to use its reasonable best efforts to have the Registration Statement declared effective as soon as possible thereafter.

(ii) For not more than thirty (30) consecutive days or for a total of not more than sixty (60) days in any twelve (12) month period, the Company may delay the disclosure of material non-public information concerning the Company, which the Company is not otherwise required to disclose, by terminating or suspending effectiveness of any registration contemplated by this Section 2, if the disclosure of such material non-public information would be required by such registration and at the time is not, in the reasonable determination of the Company's Board of Directors, in the best interests of the Company (an "Allowed Delay"); provided, that the Company shall promptly (a) notify Hampshire in writing of the existence of (but in no event shall the Company be required to disclose to Hampshire any of the facts or circumstances regarding) material non-public information giving rise to an Allowed Delay, and (b) advise Hampshire in writing to cease all sales under the Registration Statement until the end of the Allowed Delay.

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(f) Notice of Effectiveness. Within three (3) Business Days after the Registration Statement which includes the Registrable Securities is ordered effective by the SEC, the Company shall deliver, and shall cause legal counsel for the Company to deliver, to the transfer agent for such Registrable Securities (with copies to Hampshire) confirmation that the Registration Statement has been declared effective by the SEC.

(g) Underwritten Offering. If any offering pursuant to a Registration Statement involves an underwritten offering, the Company shall have the right to select an investment banker and manager to administer the offering, which investment banker or manager shall be reasonably satisfactory to Hampshire.

3. Company Obligations. The Company will use its reasonable best efforts to effect the registration of the Registrable Securities in accordance with the terms hereof, and pursuant thereto the Company will, as expeditiously as possible:

(a) use its reasonable best efforts to cause such Registration Statement to become effective and to remain continuously effective for a period that will terminate upon the earlier of (x) the date when all Registrable Securities covered by such Registration Statement have been sold, or (y) with respect to Hampshire, such time as all Registrable Securities held by Hampshire may be sold without any restriction pursuant to Rule 144(k) (the "Effectiveness Period");

(b) (i) prepare and file with the SEC such amendments and post-effective supplements to the Registration Statement as may be necessary to keep the Registration Statement effective with respect to all Registrable Securities for the Effectiveness Period; (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act; (iii) respond as promptly as possible, and in no event later than fifteen (15) Business Days to the first set of comments and ten (10) Business Days to each set of comments thereafter received from the SEC with respect to the Registration Statement or any amendment thereto and as promptly as reasonably possible provide Hampshire true and complete copies of all correspondence from and to the SEC relating to the Registration Statement; and (iv) comply in all material respects with the provisions of the Securities Act and the 1934 Act with respect to the disposition of all Registrable Securities covered by the Registration Statement during the applicable period in accordance with the intended methods of disposition by Hampshire thereof set forth in the Registration Statement as so amended or in such Prospectus as so supplemented;

(c) notify Hampshire of Registrable Securities to be sold as promptly as possible (i) when a Prospectus or any Prospectus supplement or post-effective amendment to the Registration Statement is proposed to be filed (but in no event in the case of this subparagraph (i), less than five (5) Business Days prior to date of such filing); (ii) when the SEC notifies the Company whether there will be a "review" of such Registration Statement and whenever the SEC comments in writing on such Registration

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Statement; and (iii) with respect to the Registration Statement or any post-effective amendment, when the same has become effective, and after the effectiveness thereof: (A) of any request by the SEC or any other Federal or state governmental authority for amendments or supplements to the Registration Statement or Prospectus or for additional information; (B) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement covering any or all of the Registrable Securities or the initiation of any suit, action or proceeding for that purpose; (C) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any suit, action or proceeding for such purpose; and (D) if the financial statements included in the Registration Statement become ineligible for inclusion therein or of the occurrence of any event that makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to the Registration Statement, Prospectus or other documents so that, in the case of the Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Without limitation to any remedies to which Hampshire may be entitled under this Agreement, if any of the events described in Section 3(c)(iii)(A), 3(c)(iii)(B) and 3(c)(iii)(C) occur, the Company shall use its best efforts to respond to and correct the event;

(d) furnish to Hampshire such number of copies of a Prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as Hampshire may reasonably request in order to facilitate the disposition of the Registrable Securities owned by Hampshire;

(e) if requested by Hampshire, (i) promptly incorporate in a Prospectus supplement or post-effective amendment to the Registration Statement such information as the Company reasonably agrees should be included therein and (ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(f) in the event the Company selects an underwriter for the public offering, the Company shall enter into and perform its reasonable obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the underwriter of such offering;

(g) if required by the underwriter, the Company shall furnish, on the effective date of the Registration Statement (i) an opinion, dated as of such date, from independent legal counsel representing the Company for purposes of such Registration Statement, in form, scope and substance as is customarily given in an underwritten public offering, addressed to the underwriter and (ii) a letter, dated such date, from the

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Company's independent certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriter;

(h) use its reasonable best efforts to (i) prevent the issuance of any stop order or other suspension of effectiveness and, if such order is issued, obtain the withdrawal of any such order at the earliest possible moment or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable time;

(i) prior to any public offering of Registrable Securities, use its reasonable best efforts to register or qualify or cooperate with Hampshire and its counsel in connection with the registration or qualification of such Registrable Securities for offer and sale under the state securities or Blue Sky laws of such jurisdictions reasonably requested by Hampshire and do any and all other reasonable acts or things necessary or advisable to enable the distribution in such jurisdictions of the Registrable Securities covered by the Registration Statement; provided, that, the Company shall not for any purpose be required to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified or execute a general consent to service of process in any jurisdiction;

(j) cause all Registrable Securities covered by a Registration Statement to be listed on each securities exchange, interdealer quotation system, market or over-the-counter bulletin board on which similar securities issued by the Company are then listed or, if no such listing then exists, as reasonably determined by the Company;

(k) following the occurrence of any event contemplated by Section 3(c)(iii)(D), as promptly as possible, prepare a supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither the Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(l) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC under the Securities Act and the 1934 Act and take such other actions as may be reasonably necessary to facilitate the registration of the Registrable Securities hereunder; and make available to its security holders, as soon as reasonably practicable, but not later than the Availability Date (as defined below), an earnings statement covering a period of at least twelve (12) months, beginning after the effective date of each Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act (for the purpose of this subsection 3(l), "Availability Date" means the 45th day following the end of the fourth fiscal quarter that includes the effective date of such Registration Statement, except that, if such fourth

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fiscal quarter is the last quarter of the Company's fiscal year, "Availability Date" means the 90th day after the end of such fourth fiscal quarter);

(m) provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration and provide the transfer agent with printed certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company; and

(n) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter" that is required to be retained in accordance with the rules and regulations of the NASD).

4. **Due Diligence Review; Information.** The Company shall make available, during normal business hours, for reasonable inspection and review by Hampshire, advisors to and representatives of Hampshire (who may or may not be affiliated with Hampshire), and any underwriter participating in any disposition of Common Stock on behalf of Hampshire pursuant to a Registration Statement or amendments or supplements thereto or any Blue Sky, NASD or other filing, all financial and other records, and all other corporate documents and properties of the Company as may be reasonably necessary for the purpose of such review, and cause the Company's officers, directors and employees, within a reasonable time period, to supply all such information reasonably requested by Hampshire or any such representative, advisor or underwriter in connection with such Registration Statement (including, without limitation, in response to all questions and other inquiries reasonably made or submitted by any of them), prior to and from time to time after the filing and effectiveness of the Registration Statement for the sole purpose of enabling Hampshire and such representatives, advisors and underwriters and its accountants and attorneys to conduct initial and ongoing due diligence with respect to the Company and the accuracy of such Registration Statement.

Notwithstanding the foregoing, the Company shall not disclose material non-public information to Hampshire, or to advisors to or representatives of Hampshire, unless prior to disclosure of such information the Company identifies such information as being material non-public information and provides Hampshire, such advisors and representatives with the opportunity to accept or refuse to accept such material non-public information for review.

5. Obligations of Hampshire.

(a) Hampshire shall furnish in writing to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it, as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least fifteen (15) Business Days prior to the first anticipated filing date of any Registration

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Statement, the Company shall notify Hampshire of the information the Company requires from Hampshire if Hampshire elects to have any of the Registrable Securities included in the Registration Statement. Hampshire shall provide such information to the Company at least ten (10) Business Days prior to the first anticipated filing date of such Registration Statement if Hampshire elects to have any of the Registrable Securities included in the Registration Statement.

(b) Hampshire, by its acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of a Registration Statement hereunder, unless Hampshire has notified the Company in writing of its election to exclude all of its Registrable Securities from such Registration Statement.

(c) In the event the Company determines to engage the services of an underwriter, Hampshire agrees to enter into and perform its obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the managing underwriter of such offering and take such other actions as are reasonably required in order to expedite or facilitate the dispositions of the Registrable Securities.

(d) Hampshire agrees that, upon receipt of any notice from the Company of the happening of any event rendering a Registration Statement no longer effective, Hampshire will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities, until Hampshire's receipt of copies of the supplemented or amended Prospectus filed with the SEC and declared effective and, if so directed by the Company, Hampshire shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in Hampshire's possession of the Prospectus covering the Registrable Securities current at the time of receipt of such notice.

(e) Hampshire may not participate in any third party underwritten registration hereunder unless it (i) agrees to sell the Registrable Securities on the basis provided in any underwriting arrangements in usual and customary form entered into by the Company, (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and (iii) agrees to pay its pro rata share of all underwriting discounts and commissions. Notwithstanding the foregoing, Hampshire shall not be required to make any representations to such underwriter, other than those with respect to itself and the Registrable Securities owned by it, including its right to sell the Registrable Securities, and any indemnification in favor of the underwriter by Hampshire shall be limited to the net proceeds received by Hampshire from the sale of its Registrable Securities. The scope of any such indemnification in favor of an underwriter shall be limited to the same extent as the indemnity provided in Section 6(b) hereof.

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6. Indemnification.

(a) Indemnification by the Company. The Company will indemnify and hold harmless Hampshire and its respective Affiliates, officers, directors, members, employees and agents, successors and assigns, against any losses, claims, damages or liabilities, joint or several, to which Hampshire, such Affiliate, officer, director, member, employee, agent, successor or assign may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement, prospectus or preliminary prospectus or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus or preliminary prospectus, in the light of the circumstances under which they were made) not misleading; (ii) any Blue Sky application or other document executed by the Company specifically for Blue Sky compliance or based upon written information furnished by the Company filed in any state or other jurisdiction in order to qualify any or all of the Registrable Securities under the securities laws thereof (any such application, document or information herein called a "Blue Sky Application"); (iii) any violation by the Company, or its directors, officers, employees or agents of any rule or regulation promulgated under the Securities Act or the 1934 Act or any state securities laws relating to action or inaction required of the Company or any of them in connection with such registration; or (iv) any failure to use its best efforts to register or qualify the Registrable Securities included in any such Registration Statement in any state where the Company or its agents has affirmatively undertaken or agreed in writing that the Company will undertake such registration or qualification on Hampshire's behalf (the undertaking of any underwriter chosen by the Company being attributed to the Company) and will reimburse Hampshire, and each such officer, director or member and each such controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that a ny such loss, claim, damage or liability arises out of or is based upon an untrue statement or allegedly untrue statement or omission or alleged omission made in conformity with information furnished in writing by Hampshire or any such controlling person specifically for use in such Registration Statement or Prospectus.

(b) Indemnification by Hampshire. In connection with any Registration Statement pursuant to the terms of this Agreement, Hampshire will furnish to the Company in writing such information as the Company reasonably requests concerning Hampshire or the proposed manner of

Hampshire's distribution for use in connection with any Registration Statement or Prospectus and agrees, severally but not jointly, to indemnify and hold harmless, to the fullest extent permitted by law, the Company and its directors, officers, employees, shareholders and each person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses (including reasonable attorney fees) resulting from any untrue statement of a material fact or any omission of a material fact required to be stated in the Registration Statement or Prospectus or preliminary prospectus or

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amendment or supplement thereto or necessary to make the statements therein not misleading, to the extent, but only to the extent that such untrue statement or omission is contained in any information furnished in writing by Hampshire to the Company specifically for inclusion in such Registration Statement or Prospectus or amendment or supplement thereto. In no event shall the liability of Hampshire be greater in amount than the aggregate dollar amount of the proceeds received by Hampshire upon the sale of the Registrable Securities included in the Registration Statement giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. Any person entitled to indemnification hereunder shall (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that any person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such person unless (a) the indemnifying party has agreed to pay such fees or expenses, or (b) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such person or (c) in the reasonable judgment of any such person, based upon advice of its counsel, a conflict of interest exists between such person and the indemnifying party with respect to such claims (in which case, if the person notifies the indemnifying party in writing that such person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such person); and provided, further, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations hereunder, except to the extent that such failure to give notice shall materially adversely affect the indemnifying party in the defense of any such claim or litigation. It is understood that the indemnifying party shall not, in connection with any proceeding in the same jurisdiction, be liable for fees or expenses of more than one separate firm of attorneys at any time for all such indemnified parties. No indemnifying party will, except with the consent of the indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

(d) Contribution. If for any reason the indemnification provided for in the preceding paragraphs (a) and (b) is unavailable to an indemnified party or insufficient to hold it completely harmless, other than as expressly specified therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations. No person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act shall be entitled to contribution from any person not guilty of such fraudulent misrepresentation. In no event shall the contribution obligation of Hampshire be greater

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in amount than the aggregate dollar amount of the proceeds received by it upon the sale of the Registrable Securities giving rise to such contribution obligation.

7. Rule 144. As long as Hampshire owns Common Stock, if the Company is required to file reports pursuant to Section 13(a) or 15(d) of the 1934 Act, it will prepare and make publicly available in accordance with Rule 144(c) promulgated under the Securities Act annual and quarterly financial statements, together with a discussion and analysis of such financial statements in form and substance substantially similar to those that would otherwise be required to be included in reports required by Section 13(a) or 15(d) of the 1934 Act, as well as any other information required thereby, in the time period that such filings would have been required to have been made under the 1934 Act. The Company further covenants that it will take such further action as Hampshire may reasonably request, all to the extent required from time to time to enable such Person to sell shares of Common Stock without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act. Upon the request of Hampshire, the Company shall deliver to Hampshire a written certification of a duly authorized officer as to whether it has complied with such requirements.

8. Miscellaneous.

(a) & #160; Remedies. In the event of a breach by the Company or Hampshire, of any of their obligations under this Agreement, Hampshire or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company and Hampshire agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) Amendments and Waivers. This Agreement may be amended only by a writing signed by the then current parties hereto. The Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of Hampshire.

(c) Notices. Any notice or other communication in connection with this Agreement or the shares of Common Stock shall be deemed to be delivered and received if in writing (or in the form of a telex or telecopy) addressed as provided below (i) when actually delivered, in person, (ii) if telexed or telecopied to said address, when electronically confirmed, (iii) when delivered if delivered by overnight courier or (iv) in the case of delivery by mail, five (5) business days shall have elapsed after the same shall have been deposited in the United States mails, postage prepaid and registered or certified:

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If to the Company, to:

Citi Trends, Inc.
102 Fahm Street
Savannah, Georgia 31401
Attention: R. Edward Anderson
Facsimile: (912) 443-3674

with a copy to:

Paul, Hastings, Janofsky & Walker LLP
75 East 55th Street
New York, New York 10022
Attention: William F. Schwitter, Esq.
Facsimile: (212) 319-4090

If to Hampshire, to:

Hampshire Equity Partners II, L.P.
520 Madison Avenue, 33rd Floor
New York, New York 10022
Attention: Laurens M. Goff
Facsimile: (415) 362-1192

(d) Assignments and Transfers by Hampshire. The provisions of this Agreement shall be binding upon and inure to the benefit of Hampshire and its respective successors and assigns. Hampshire may transfer or assign, in whole or from time to time in part, to one or more persons its rights hereunder in connection with the transfer of Registrable Securities by Hampshire to such person, provided, that, Hampshire complies with all applicable laws thereto and provides written notice of assignment to the Company promptly after such assignment is effected.

(f) Assignments and Transfers by the Company. This Agreement shall not be assigned by the Company without the prior written consent of Hampshire, except that without the prior written consent of Hampshire, but after notice duly given, the Company shall assign its rights and delegate its duties hereunder to any successor-in-interest corporation, and such successor-in-interest shall assume such rights and duties, in the event of a merger or consolidation of the Company with or into another corporation or the sale of all or substantially all of the Company's assets.

(g) Benefits of the Agreement. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

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(h) Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

(i) Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

(j) Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

(k) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(l) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(m) Specific Enforcement; Governing Law; Consent to Jurisdiction. The Company and Hampshire acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which any of them may be entitled by law or equity. This Agreement shall be enforced, governed by and construed in accordance with, the internal laws of the State of New York without regard to the choice of law principles thereof. The parties hereto hereby agree that any suit or proceeding arising directly and/or indirectly pursuant to or under this instrument or the consummation of the transactions contemplated hereby, shall be brought solely in a federal or state court located in the City, County and State of New York. By

agree that any process in any such action may be served upon any of them personally, or by certified mail or registered mail upon them or their agent, return receipt requested, with the same full force and effect as if personally served upon them in New York City. The parties hereto waive any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of in personam jurisdiction with respect thereto. In the event of any such action or proceeding, the party prevailing therein shall be entitled to payment from the other party hereto of its reasonable counsel fees and disbursements in an amount judicially determined.

[Signature Pages Follow]

[Company Signature Page]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Registration Rights Agreement as of the date first above written.

The Company:

CITI TRENDS, INC.

By: /s/ R. Edward Anderson

Name: R. Edward Anderson

Title: Chief Executive Officer

[Hampshire Signature Page]

IN WITNESS WHEREOF, the undersigned has caused its duly authorized officer to execute this Registration Rights Agreement as of the date first above written.

Hampshire:

HAMPSHIRE EQUITY PARTNERS II, L.P.

By: Lexington Equity Partners II, L.P.,
its General Partner

By: Lexington Equity Partners Inc., its
General Partner

By: /s/ Gregory P. Flynn

Name: Gregory P. Flynn

Title: Managing Director

Address:

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Citi Trends, Inc.:

We consent to the use of our report dated March 31, 2006, with respect to the balance sheets of Citi Trends, Inc. as of January 28, 2006 and January 29, 2005, and the related statements of income, stockholders' equity, and cash flows for the fiscal years ended January 28, 2006, January 29, 2005 and January 31, 2004, incorporated herein by reference and to the reference to our firm under the heading "Experts" in the prospectus.

Our report refers to the adoption of Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" on July 6, 2003 and Financial Accounting Standards Board Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" as of January 28, 2006.

/s/ KPMG LLP

April 4, 2007
Jacksonville, Florida
Certified Public Accountants
